

Message Text

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10
ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 EA-11 ADP-00 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-03 PA-03 PRS-01 USIA-15 RSR-01

/187 W
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R 130330Z AUG 73
FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 7002
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY SANTIAGO
AMEMBASSY TOKYO

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E.O. 11652: GDS
TAGS: EAID, CI, IBRD
SUBJECT: IBRD LOANS TO CHILE

REF: A. STATE 147739; B. STATE 152017 NOTAL;
C. STATE 154382 NOTAL; D. STATE 154386 NOTAL; E. STATE 146612

1. EXTRA AMMUNITION REFTELS B, C, D AND E VERY HELPFUL
ENABLE MORE COMPLETE PRESENTATION US POSITION.

2. AFTER GNZ RECEIPT FURTHER DETAILS FROM WASHINGTON ON
IBRD STAFF PROPOSAL ECON OFFICER HAD SECOND MEETING WITH
LOUGH, ASST SECY TREASURY. IT EVIDENT THAT INFO
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GNZ RECEIVED FROM WASHINGTON MORE LIKELY REINFORCED

(AND CERTAINLY DID NOT DIMINISH) INCLINATION NOT OPPOSE
IBRD STAFF PROPOSAL CHILEAN LOANS.

3. LOUGH GIVEN COPY OF ENGLISH TRANSLATION OF
JULY 13 MEMO OF AGREEMENT OF PARIS CLUB (REF D)
WHICH HE READ CAREFULLY. EMBASSY OFFICER DREW ON
BACKGROUND REF E AND STRESSED INFO PARAS 2 AND 3
REF C, BUT IT EVIDENT LOUGH WOULD NOT BE SWAYED.
HIS REPEATED REJOINDER WAS HE COULD NOT SEE HOW IBRD'S
REFUSING TO MAKE FURTHER LOAN NOW TO HELP CHILE DEVELOP
ITS ECONOMY AND GET ITS PRODUCTIVITY UP SO IT WOULD BE
ABLE TO MAKE PAYMENTS TO IBRD COULD BE HARMFUL. HE
COULD NOT SEE BENEFIT IN DELAYING ACTION UNTIL AFTER
PARIS CLUB MEETING.

4. AS FINAL EFFOR POINTS REFTEL B ALSO MADE.
IN REPLY LOUGH SAIF GNZ POSITION NOT YET FIRM BUT
HE DOUBTED GNZ COULD INSTRUCT NZ/IBRD EXECUTIVE DIRECTOR
TO VOTE AGAINST PROPOSAL EVEN IF BROUGHT UP BEFORE
PARIS CLUB MEETING, AS IT SEEMED "THOROUGHLY PRACTICABLE,
SENSIBLE WAY OF MAKING BEST OF A BAD SITUATION, A WAY
OF MAINTAINING A PRODUCTIVE RELATIONSHIP TO HELP CHILE
AND ENABLE IT TO IMPROVE ITS DEVELOPMENT PERFORMANCE
TOWARD A Viable ECONOMY."

5. IT APPEARS THAT LOUGH'S ATTITUDE INFLUENCED BY
FACTORS OTHER THAN THOSE TREATED IN REFTELS -- PERHAPS
THE DEVELOPING BILATERAL ECONOMIC RELATIONS BETWEEN
NEW ZEALAND AND CHILE. LOUGH REFERRED TO GNZ EXPERT
WHO HAD BEEN IN CHILE FOR ONE MONTH DEVELOPING INFORMATION
OF PRPOSED GNZ TECHNICAL ASSISTANCE TO CHILE.

6. IT PROBABLE US IS ONLY COUNTRY SO FAR TO MAKE
REPRESENTATIONS AND IT LIKELY THAT THIS IS BEING
INTERPRETED HERE AS MATTER PECULIARLY OF US INTEREST (I.E.
BRINGING PRESSURE ON CHILE TO COME TO GRIPS ON COMPENSATION
FOR CONFISCATED US PROPERTIES) RATHER THAN REAL
GENERAL CONCERN PARIS CLUB OR OTHER IBRD MEMBERS.
LOUGH TWICE EXPRESSED INTEREST IN WHICH OTHER COUNTRIES
SHARE US VIEW.
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7. LOUGH ACKNOWLEDGED SOME CONCERN THAT THIS ACTION
MIGHT CREATE A PRECEDENT OF BANK ACQUIESCING TO WHAT
COULD APPEAR EFFECTIVELY AS A FORCED LOAN. BUT WITHOUT
OTHER OVERRIDING CONSIDERATIONS, IT CLEAR THIS IS NOT
NOW SUFFICIENT TO INDUCE GNZ OPPOSITION.

8. IT POSSIBLE THAT GNZ MIGHT STILL BE INDUCED TO

OPPOSE IF SOME OTHER COUNTRIES MAKE REPRESENTATIONS AND
IT EVIDENT THAT MOST OTHER LEADING MEMBERS OPPOSED
TO LOAN PROPOSALS.

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30 JUN 2005

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